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# Certified Technology Parks and Michigan:

## A Request for Program Expansion

DANIEL J. PHELAN

President, Jackson Community College

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## Executive Summary

STATE OF THE ECONOMY

- Michigan's unemployment rate is the highest in the nation at 7.6%.
- Michigan lost more than 78,000 payroll jobs in 2007. (DLEG, December 2007)
- The House Fiscal Agency projects the unemployment rate to be 8.2% by the end of 2008, and 8.5% by the end of 2009.
- The personal income growth rate is expected to decelerate to 1.7% in 2008 and 2.9% in 2009.

FACTORS OF A SUCCESSFUL CERTIFIED TECHNOLOGY PARKS (SMARTZONE)

- Economy must still be economically viable
- Zone should include a mixture of land usage
- Commercial, industrial, sizable residential
- Zone should be actively managed
- Zone organization should be independent, inclusive agent
- The initiative must have strong support from both public and private entities
- Established small business incubators and technology fosters growth

WHY DOES MICHIGAN NEED MORE CERTIFIED TECHNOLOGY PARKS (SMARTZONES)

- The economy is viable with Jackson County's high-technology employers;
- The SmartZone is strategically located and includes a mixture of land usage;
- It has strong commitment, collaboration, and support from both public and private entities, business leaders and institutions of higher education;
- Small business incubators are located within the LDFA;
- Often a mixed-use technology (medical, aerospace, and energy) focus diversifies and strengthens growth potential;
- A strong affinity between research and development, commercialization and manufacturing exist in this hub of the North American trade market.

## SmartZone Testimony

Good morning. Thank you for the opportunity to speak to you on behalf of communities of the State of Michigan.

Michigan has fallen on very difficult economic times, in part due to its significant reliance on the auto and related industries, off-shoring of jobs, global competition, and its lack of diversity in its business and industry portfolio. Evidence of this departure is the reduction of 78,000 payroll jobs in 2007, reverting Michigan's employment levels to those of 2003. Michigan's manufacturing employment losses (more than 27,000) accounted for 14% of the total nationwide decline in manufacturing over the past 12 months. The state's unemployment rate is the highest in the nation, at 7.6%, and projections indicate an even bleaker future with unemployment rates increasing to 8.2% and 8.5% in 2008 and 2009, respectively. The personal income growth rate of those employed, currently 3.4%, is projected to decelerate to 1.7% and 2.9% in 2008 and 2009, respectively.

This State's various governmental officials, business leaders, and institutions of higher education need the ability to access tools for economic vitality and growth, that better position Michigan for growth. Currently there are 12 Certified Technology Parks in Michigan, commonly referred to as SmartZones. They were created by the Local Development Financing Act (LDFA), Public Act 281 of 1986. There is documented evidence that SmartZones are effective, and the SmartZone Initiative earned a National Best Practice Award from the United States Small Business Administration, Office of Advocacy.

SmartZones are intended to create nurturing environments which support the creation of business incubators and research and development labs, ultimately providing stimulus for economic growth and stemming job loss. SmartZones are critical in cultivating industry-driven research and development of business intelligence solutions, launching entrepreneurial activity, and retaining high-tech talent in a community. Specifically, they foster collaboration among entrepreneurs,

business leaders, institutions of higher education, and units of government so as to provide a network of support producing high-tech jobs and a highly skilled workforce. As stated by Lou Glazer in "A New Agenda for a New Michigan," Prosperity today is in the knowledge-based economy. SmartZones and incubators provide the two essential requirements for a knowledge-based economy: infrastructure and educated workforce.

By enacting legislation to expand the number of SmartZones, the legislature will enable communities to capture tax revenue generated by the increase in property taxes (growth) within the boundary of LDFAs in order to stimulate and accelerate our economic recovery. As you likely know, SmartZones can additionally capture up to 50 percent of school taxes for a period of up to 15 years while the State will subsidize the captured school taxes, and the captured tax revenue may only be invested within the LDFA's boundaries to provide infrastructure (roads, utilities, fiber optics) to support business and job growth.

County, City, and Township officials, business leaders and leading employers, institutions of higher education, and economic growth entities across the State seek to access the benefits of SmartZones. Research shows that $1.90 in taxes are generated for each $1.00 of zone benefits received; there are positive and tangible impacts on business investments: generally 26% of the new firms are launched, and 57% of existing firms expand. Further, there are key factors for success, for which communities could hold themselves accountable. For example:

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Various Michigan communities are ideally positioned for a successful SmartZone focused on emerging advanced medical, aerospace, alternative energy, related technology-based entrepreneurial companies, and other mixed-use purposes.

Local hospitals and businesses need an educated and talented workforce to supply the high-tech jobs of tomorrow. Aerospace, health care, advanced technologies and other industries project a shortage in personnel in the next several years due to the baby boomer generation and their projected retirements. The State must begin the process of recruiting and retaining personnel in high-tech, health care, and alternative energy fields.

There will be opponents who argue that a SmartZone results in lost revenue; revenue streams that currently do not exist, and may not exist without a SmartZone. Others might argue that SmartZones are little more than a catch-phrase. However, two things have increased since the 2001 SmartZone application process, both the State's unemployment rate has skyrocketed and methods for economic recovery are desperately needed.

The addition of more SmartZones in Michigan can help capture tax in an area and keep it to build public infra-structure on real property, within an existing LDFA. The more taxes we capture, the more public infra-structure we can build. This not only means jobs for contractors in Michigan, but also the creation of a supportive environment for business and job growth. The State needs to permit additional SmartZone designations so as to gain access to Michigan's pre-seed fund and high quality business providers in order to build a high-tech infrastructure, wet lab space, and fiber optic communications, to name a few reasons.

Just this past January, the State Strategic Fund Board approved $2.4 M in loans for 12 companies; most are in and around Ann Arbor, one is in Chelsea; few were awarded elsewhere in the State. On the behalf of governmental officials of the State, business leaders, institutions of higher education, and the citizens of the State, we need your support of House Bill 5609 and Senate Bill 1018 to help put the State of Michigan on the road to economic recovery.